

**THOMPSON SPECIAL SERVICE DISTRICT  
(A COMPONENT UNIT OF GRAND COUNTY)**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

**THOMPSON SPECIAL SERVICE DISTRICT  
(A COMPONENT UNIT OF GRAND COUNTY)  
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ACCOUNTANTS' REVIEW REPORT

Board of Trustees  
Thompson Special Service District  
HC 11 Box 400010  
Thompson Springs, Utah 84540

We have reviewed the accompanying financial statements of the business-type activities of Thompson Special Service District (a component unit of Grand County) as of and for the year ended December 31, 2006, which comprise the District's basic financial statements as listed in the table of contents, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Thompson Special Service District.

A review consists principally of inquiries of the District's personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

The Management's Discussion and Analysis, as listed in the financial section of the table of contents, is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

SMUIN, RICH & MARSING



Price, Utah

March 30, 2007

**THOMPSON SPECIAL SERVICE DISTRICT  
(A COMPONENT UNIT OF GRAND COUNTY)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

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Our discussion and analysis of Thompson Special Service District's financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2006. All of the financial activity results from "business-type" activities.

**FINANCIAL HIGHLIGHTS**

- ❖ Total revenues from business activities were \$55,088 in 2006 compared to \$39,759 in 2005, an increase of 38.5% in business revenue. (The most significant increase - charges for services.)
- ❖ Total business expenses were \$33,297 in 2006 compared to \$33,832 in 2005. A decrease of 1.6% from the previous year. (The most significant decrease - attorney fees.)
- ❖ Non-operational revenues and expenses to the district were as follows:
  - a. Grant from the Community Impact Board was \$231,200. These funds are being used to pay for a culinary water improvement project.
  - b. Interest earned in 2006 totaled \$9,610 compared to 2005 total of \$2,140. The increase was mainly due to a higher average cash balance.
  - c. Net assets during 2006 increased by \$258,471 as compared to \$42,344 in 2005. Change in net assets is detailed in the Net Asset Report of the District's Key Financial Reports.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The financial reports: Statement of Net Assets; Statement of Revenues, Expenses and Changes in Fund Net Assets; and Statement of Cash Flows, comprise pages 9-12. Standard and acceptable accounting practices are followed in preparation of these reports. The purpose of the financial reports is to identify revenues and expenses resulting from business activities. The net income or (loss) from operations, adjusted for depreciation, identifies the performance of the District. Certain key financial ratios taken from the Statement of Net Assets help identify financial strength and liquidity. Since the District is operated as an enterprise fund, there are no fund statements presented because all operations of the District are reported using the accrual method of accounting.

**REPORTING THE DISTRICT BUSINESS OPERATIONS**

Our analysis of the District as a whole begins on page 9. The key financial reports provide the accounting from which reports herein are created. The Statement of Net Assets and Statement of Revenues, Expenses and Changes in Fund Net Assets summarize the District's business operations for the year and provide a basis for assessing financial strengths and weaknesses. From these reports, trends are monitored and budgets are prepared for future months. These reports are prepared using the accrual accounting method, which is similar to the accounting methods used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or payment made. (Note: The detailed Review Report is available for review at the Thompson Special Service District Office.)

## REPORTING THE DISTRICT BUSINESS OPERATIONS (Continued)

In the Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Fund Net Assets, the District shows all of the activities in one fund.

- ❖ Business-type activities – The District charges customers for their individual usage of water. The charges are considered to cover most of the cost of providing these services. The District also has a water load-out facility that adds to the operational revenue. Utah Department of Transportation makes an annual payment to the District for water services provided to State rest areas and maintenance shed.

## REPORTING THE DISTRICT'S SIGNIFICANT FUND

The District has only one fund, which accounts for the activity of the District. The entity-wide financial statements, which begin on page 9, provide detailed information about the operations of the District as a whole. The District's only fund is operated as an enterprise fund. Enterprise funds are reported using an accrual accounting method, which records expenses when they are incurred and records revenues when they are earned. The District does not have any governmental type funds.

## THE DISTRICT AS A TRUSTEE

The District does not hold any funds or property in a trustee capacity.

## THE DISTRICT'S KEY FINANCIAL REPORTS

### NET ASSET REPORT

<u>ASSETS</u>	BUSINESS-TYPE ACTIVITIES 2005	BUSINESS-TYPE ACTIVITIES 2006
Current and other assets	\$ 75,194	\$ 298,251
Capital assets	510,999	544,799
Total assets	\$ 586,193	\$ 843,050

## THE DISTRICT'S KEY FINANCIAL REPORTS (continued)

### NET ASSET REPORT (continued)

	BUSINESS-TYPE ACTIVITIES 2005	BUSINESS-TYPE ACTIVITIES 2006
<b><u>LIABILITIES</u></b>		
Current liabilities	\$ 3,206	\$ 3,650
Noncurrent liabilities	70,764	68,706
Total liabilities	<u>\$ 73,970</u>	<u>\$ 72,356</u>
<b><u>NET ASSETS</u></b>		
Invested in capital assets, net of debt	\$ 438,293	\$ 474,036
Restricted -		
Debt and customer deposits	8,450	20,064
Unrestricted	65,480	276,594
Total net assets	<u>\$ 512,223</u>	<u>\$ 770,694</u>

Net Assets of the District are \$770,694. *Unrestricted* net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – are \$276,594. These net assets are used to finance the continuing operations of providing services to the water users.

A key financial ratio - the Current Ratio - is calculated by dividing current assets by current liabilities. This ratio is an indicator of liquidity and ability to pay current operational bills. The ratio for the year ending December 31, 2006 is 81.7. The ratio for the year ending December 31, 2005 was 23.4. The District's high ratio indicates a strong liquidity position.

# CHANGES IN NET ASSETS

	BUSINESS-TYPE ACTIVITIES 2005	BUSINESS-TYPE ACTIVITIES 2006
<b>REVENUES</b>		
Program revenues:		
Charges for services	\$ 36,084	\$ 53,073
Contributions/other	3,675	2,015
General revenues:		
Grants - restricted	38,515	231,200
Other general revenues	2,140	9,610
Total revenues	<u>\$ 80,414</u>	<u>\$ 295,898</u>
<b>EXPENSES</b>		
Program expenses:		
Administrative fees and fringe	\$ 10,537	\$ 9,646
Professional fees	4,005	1,857
Materials and supplies	4,609	2,603
Utilities	938	526
Insurance	2,435	2,169
Depreciation	10,714	14,021
Interest expense	4,238	4,130
Other	594	2,475
Total expenses	<u>\$ 38,070</u>	<u>\$ 37,427</u>
Change in net assets	<u>\$ 42,344</u>	<u>\$ 258,471</u>
Net assets - beginning	\$ 469,879	\$ 512,223
Net assets - ending	<u>512,223</u>	<u>770,694</u>
Change in net assets	<u>\$ 42,344</u>	<u>\$ 258,471</u>

The District's operational goal for future years is to continue to strive to run the District's operations from charges for services and minimal other governmental funds. We realize that increasing profitability will come in the form of increasing rates, but we will need other governmental assistance for upgrades and/or improvements.

## CASH SOURCES AND USES

### CASH SOURCES AND USES:

Beginning cash balance as of January 1, 2006	\$ 70,914
Change in net assets	\$ 258,471
Depreciation (source of cash)	14,021
Accounts receivable increase (use of cash)	(1,300)
Fixed asset purchases increase (use of cash)	(47,821)
Accounts payable decrease (source of cash)	258
Accrued liabilities decrease (use of cash)	(30)
Customer deposits payable increase (source of cash)	100
Principal payment on debt decrease (use of cash)	(1,942)
Total change in net assets	\$ 221,757
Ending cash balance as of December 31, 2006	\$ 292,671

Use of all funds are controlled and authorized by the district's Board of Trustees. The Board of Trustees has delegated the day-to-day operations to a District manager. The manager follows the spending limits and budgets as approved by the Board of Trustees. The Board of Trustees approves all major capital expenditures. The Board approves an annual operational budget and forwards it to the County Council and also submits copies of the budget to the State Auditor as required by Utah State law.

### BUSINESS ACTIVITIES AND PURPOSES

Revenues for the District are generated by providing water to those who reside within the District's service area. This is the only source of operating revenue that is received by the District. The District has in the current calendar year received funds from the Community Impact Board to aid in the Culinary Water Improvement project. The culinary water improvement was needed to keep our water system working effectively and keep repair costs manageable. The objective of the District is to provide the necessary water services mentioned, independently (not dependent), of other organizations. Additional funds have been needed in past years to cover unexpected expenses, but the Board of Trustees has made the necessary changes needed to accomplish their goals and purposes.



## DEBT MANAGEMENT

As of December 31, 2006, the District had \$70,763 in a loan from United States Department of Agriculture Rural Development. This debt was entered into by the Board in 1988, for the improvements on the water facility. More detailed information about the District's long-term liabilities is presented in note 4, page 20 in the footnotes to the financial statements.

## BUDGETARY HIGHLIGHTS

The 2006 budget was adopted for the current year on December 14, 2005. Since the District operates as an enterprise fund, it is only required to comply with the budget on an entity wide basis. The budget amount was set at \$32,409. The actual expenditures amounted to \$33,297. The budget was over spent by \$888.

## CAPITAL ASSETS

As of December 31, 2006, the District had net capital assets of \$544,799. The District is in the process of making improvements to the Culinary Water System, the first phase of the project was finished as of December 31, 2006. The second phase of the project has been started. The District has spent in the current calendar year \$47,121, which is reported as Work in Progress. No other capital asset additions have been made in the current year. Future budgets will account for anticipated equipment purchases. The budget for 2006 does estimate or anticipate capital expenditures. The following table shows the balance of capital assets as of December 31, 2006 and 2005, net of depreciation.

### Capital Assets at Year-end (Net of Depreciation) 2005 and 2006

	Business - Type Activities	
	2005	2006
Land	\$ 15,000	\$ 15,000
Buildings	6,600	6,300
Furniture and equipment	2,690	2,276
Waterline and improvements	322,042	312,042
New waterline		162,060
Work in progress	164,667	47,121
Net capital assets	<u>\$ 510,999</u>	<u>\$ 544,799</u>

The District's major addition was the Culinary Improvement project - \$47,121 for the current year. Major capital expenditures are included in the 2007 budget to complete the culinary improvement project and to find another source of water.

## **ECONOMIC FORECAST AND FUTURE BUDGET**

The District continues to implement changes as recommended in the facilities plan. Revenues from business activity for 2007 have been budgeted at \$28,809. Expenses are budgeted at \$31,809. Other support budget is interest income of \$3,300 from the Utah Public Treasurers Fund. The District received grant money from the Community Impact Board to add a new water tank and to replace more water line. The District is still working on finding more water sources. The District anticipates a net loss in operations, but the loss is directly attributable to the depreciation expense and unforeseen expenses not covered under grant money.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our community and customers with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Secretary at HC 11 Box 400010 Thompson Springs, Utah, 84540.

**THOMPSON SPECIAL SERVICE DISTRICT**  
**(A COMPONENT UNIT OF GRAND COUNTY)**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2006**

**BUSINESS-TYPE ACTIVITY**  
**ENTERPRISE FUND**

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**CULINARY WATER SYSTEM**

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**ASSETS**

**Current Assets:**

Cash and cash equivalents	\$ 292,671
Receivables:	
Accounts	3,232
Supplies inventory	498
Prepays	1,850
	<hr/>
Total current assets	\$ 298,251

**Noncurrent Assets:**

**Capital assets:**

Land	\$ 15,000
Buildings	12,000
Furniture and equipment	7,250
Waterline and improvements	665,367
Accumulated depreciation	(201,939)
Work in process	47,121
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Total noncurrent assets 544,799

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Total assets \$ 843,050

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"See accountants' review report and accompanying notes."

**EXHIBIT A**  
**(Continued)**

**THOMPSON SPECIAL SERVICE DISTRICT**  
**(A COMPONENT UNIT OF GRAND COUNTY)**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2006**

**BUSINESS-TYPE ACTIVITY**  
**ENTERPRISE FUND**

**CULINARY WATER SYSTEM**

**LIABILITIES AND NET ASSETS**

**Current Liabilities:**

Accounts payable	\$ 258
Payroll taxes payable	385
Customer deposits payable	950
Current portion of long-term debt	2,057

Total current liabilities	\$ 3,650
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**Noncurrent Liabilities:**

Long-term debt (less current portion)	\$ 68,706
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Total liabilities	\$ 72,356
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**Net Assets:**

Investment in capital assets, net of related debt	\$ 474,036
Restricted	20,064
Unrestricted	276,594

Total net assets	\$ 770,694
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Total liabilities and net assets	\$ 843,050
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"See accountants' review report and accompanying notes."

**THOMPSON SPECIAL SERVICE DISTRICT  
(A COMPONENT UNIT OF GRAND COUNTY)  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	BUSINESS-TYPE ACTIVITY ENTERPRISE FUNDS
	CULINARY WATER SYSTEM
Operating Revenues:	
Charges for services	\$ 30,573
Load-out sales	20,800
Other revenue	3,715
	<hr/>
Total operating revenue	\$ 55,088
Operating Expenses:	
Administrative fees	\$ 8,862
Payroll taxes	784
Professional services	1,857
Office supplies	791
Utilities	526
Travel	701
Insurance	2,169
Depreciation	14,021
Bank charges	30
Chlorine/water samples	502
Vehicle expense	1,219
Supplies	1,465
Dues and subscriptions	370
	<hr/>
Total operating expenses	\$ 33,297
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Operating income/(loss)	\$ 21,791
Non-operating Revenues (Expenses)	
Interest income	\$ 9,610
Interest expense	(4,130)
Grants	231,200
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Total non-operating revenues (expenses)	\$ 236,680
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Change in net assets	\$ 258,471
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Total net assets - January 1, 2006	512,223
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Total net assets - December 31, 2006	\$ 770,694
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"See accountants' review report and accompanying notes."

**THOMPSON SPECIAL SERVICE DISTRICT  
(A COMPONENT UNIT OF GRAND COUNTY)  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

Cash flows from operating activities:		
Cash received from customers	\$ 53,788	
Cash payments to suppliers for goods and services	(9,371)	
Cash payments to employees for services	<u>(9,577)</u>	
Net cash provided (used) by operating activities		\$ 34,840
Cash flows from capital and related financing activities:		
Principal paid on bonds	\$ (1,942)	
Interest paid on bonds	(4,130)	
Acquisition of capital assets	(47,821)	
Grants/other	<u>231,200</u>	
Net cash provided (used) by capital and related financing activities		177,307
Cash flow from investing activities:		
Interest on investments received	<u>\$ 9,610</u>	
Net cash provided by investing activities		<u>9,610</u>
Net increase (decrease) in cash and cash equivalents		\$ 221,757
Cash and cash equivalents at beginning of year		<u>70,914</u>
Cash and cash equivalents at end of year		<u><u>\$ 292,671</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED BY) OPERATING ACTIVITIES:		
Operating income (loss)		\$ 21,791
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	\$ 14,021	
Change in assets and liabilities:		
Increase in accounts receivable	(1,300)	
Increase in accounts payable	258	
Increase in customer deposits payable	100	
Decrease in payroll taxes liabilities	<u>(30)</u>	
Total adjustments		<u>13,049</u>
Net cash provided by operating activities		<u><u>\$ 34,840</u></u>

"See accountants' review report and accompanying notes."

**THOMPSON SPECIAL SERVICE DISTRICT  
(A COMPONENT UNIT OF GRAND COUNTY)  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Thompson Special Service District is a special service district located in Grand County, Utah, organized for the purpose of providing water services to those who reside within the District's service area. The District operates under a board of trustees form of government and is a component unit of Grand County. The Board's authority is derived from the County Council, who has ultimate responsibility for the District.

The District has no component units, but because of Grand County's ultimate responsibility for the District, the District is considered a component unit of Grand County.

**B. Government-Wide Financial Statements**

Government-wide financial statements display information about the District as a whole. The financial statements presented are those required of an enterprise fund and consist of the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Fund Net Assets and the Statements of Cash Flows. The District is considered a special-purpose government engaged only in business-type activities. It is classified as a proprietary fund type and operates as an enterprise fund. It records all of the transactions related to its activities in a single enterprise fund. Enterprise funds are used to account for the operations that are financed and operated in manner similar to private business enterprises, where the intent of the governing body is that its costs in providing goods and services (including depreciation), on a continuing basis, be financed or recovered primarily through user charges. No fiduciary funds nor component units that are fiduciary in nature are included.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

*Measurement of focus* is commonly used to describe the types of transactions and events that are reported in a fund's operating statement. The operating statement of an enterprise fund focuses on changes in, or the flow of, *economic* resources. With this measurement focus, all assets and liabilities associated with the operation of the fund, both current and non-current, are included on the statement of net assets. Thus, net assets (total assets less total liabilities) are used as a practical measure of economic resources.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation Continued)

*Basis of accounting* refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. As a practical matter, a fund's basis of accounting is inseparably tied to its measurement focus. Funds that focus on total economic resources employ the accrual basis of accounting, which recognizes increases and decreases in economic resources as soon as the underlying event or transaction occurs. Under accrual accounting, revenues are recognized as soon as they are earned and expenses are recognized as soon as a liability is incurred regardless of the timing of related cash inflows and outflows.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for business-type activities, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the enterprise fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to customers for sales of culinary water services. The district also recognizes the portion of connection fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

D. Capital Assets

Capital assets, which include land, buildings, furniture and equipment, and water line and improvements, are reported in the government-wide financial statements. Capital assets are defined by the District as those assets with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Buildings, furniture and equipment, and water line and improvements of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40 years
Furniture and equipment	4-20 years
Waterline	50 years



1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

E. **Deposits and Investments**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, including investments in the Public Treasurers' Investment Fund (PTIF).

State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, and the State Treasurer's Investment fund.

Investments for the District are reported at fair value. The State Treasurer's Investment Fund operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

F. **Receivables and Payables**

Accounts receivable arise from charges to individual District customers billed and uncollected at the end of the fiscal year for culinary water services. For the year ended December 31, 2006, an allowance for doubtful accounts has not been recorded in the books.

Accounts payable are amounts owed by the District for items and services received by December 31, 2006 and paid for in 2007.

G. **Inventories and Prepaids**

Inventory of supplies maintained by the District is stated at cost. The inventory consists of pipes, fittings and parts used in the operation of the District. Inventories are recorded as expenditures when consumed rather than when purchased.

At various times, certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

F. **Budgetary Information**

An annual operating budget is adopted by the District's board of trustees, on a basis consistent with generally accepted accounting principles, and as prescribed by state regulation. The budget is adopted prior to the beginning of the year to which it applies after a public hearing has been held. Subsequent amendments to the operating budget may be made after a public hearing.

G. **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## **2. DEPOSITS AND INVESTMENTS**

The District's deposits and investments are governed by the Utah Money Management Act (Utah Code, Title 51, Chapter 7) and rules of the State of Utah Money Management Council.

The District follows the requirements of the Utah Money Management Act (the Act) in handling its depository and investment transactions. The Act requires the depositing of district funds in a "qualified depository". The Act defines a "qualified depository" as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

### *Custodial Credit Risk*

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. At December 31, 2006, the District's bank balance of cash on deposit was \$26,669; of this amount, all is covered by Federal depository insurance.

### **Investments**

The Money Management Act defines the types of securities authorized as appropriate investments for the District and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the District to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer. The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, and Utah Code Annotated, 1953, as amended. The Act established the Money Management Council, which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

## 2. DEPOSITS AND INVESTMENTS (Continued)

As of December 31, 2006, the District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More than 10
State of Utah Public Treasurer's Investment Fund	\$ 270,623	\$ 270,623			
Total Investments	\$ 270,623	\$ 270,623	\$ ...	\$ ...	\$ ...

### *Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages this risk in part by investing in the Utah Public Treasurers Investment Fund. The District's policy to manages its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptance, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 2 years.

### *Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District has not adopted a formal policy with regards to credit risk on investments but the District informally follows the policy for reducing its exposure to credit risk is to comply with the State's Money Management Act as previously discussed.

### 3. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 15,000			\$ 15,000
Work in progress	<u>164,667</u>		<u>\$ (117,546)</u>	<u>47,121</u>
Total assets not being depreciated	<u>\$ 179,667</u>	<u>\$ ...</u>	<u>\$ (117,546)</u>	<u>\$ 62,121</u>
Capital assets being depreciated:				
Buildings	\$ 12,000			\$ 12,000
Furniture and equipment	7,250			7,250
Waterline	<u>500,000</u>	<u>\$ 165,367</u>		<u>665,367</u>
Total assets being depreciated	<u>\$ 519,250</u>	<u>\$ 165,367</u>	<u>\$ ...</u>	<u>\$ 684,617</u>
Less accumulated depreciation for:				
Buildings	\$ 5,400	\$ 300		\$ 5,700
Furniture and equipment	4,560	414		4,974
Waterline	<u>177,958</u>	<u>13,307</u>		<u>191,265</u>
Total accumulated depreciation	<u>\$ 187,918</u>	<u>\$ 14,021</u>	<u>\$ ...</u>	<u>\$ 201,939</u>
Total capital assets, being depreciated, net	<u>\$ 331,332</u>	<u>\$ 151,346</u>	<u>\$ ...</u>	<u>\$ 482,678</u>
Business-type activities capital assets, net	<u>\$ 510,999</u>	<u>\$ 151,346</u>	<u>\$ (117,546)</u>	<u>\$ 544,799</u>

#### 4. LONG-TERM DEBT

The District obtained a loan from USDA Rural Development on July 22, 1988. The loan payments of \$506 are due monthly at an interest rate of 5.75%. The funds were used to enhance the water distribution system for the District. The repayment schedule is as follows:

Year Ending December 31,	<u>Business-Type Activities</u>		
	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2007	\$ 4,015	\$ 2,057	\$ 6,072
2008	3,894	2,178	6,072
2009	3,765	2,307	6,072
2010	3,629	2,443	6,072
2011-2015	15,804	14,556	30,360
2016-2020	10,969	19,391	30,360
2021-2025	4,528	25,832	30,360
2026	24	2,000	2,024
	<u>\$ 46,628</u>	<u>\$ 70,764</u>	<u>\$ 117,392</u>

#### Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Business-type activities:</b>					
Notes payable:					
USDA Rural Development					
Loan	<u>\$ 72,706</u>	<u>\$ ...</u>	<u>\$ (1,943)</u>	<u>\$ 70,763</u>	<u>\$ 2,057</u>

5. **RESTRICTED ASSETS**

Certain amounts have been restricted as to usage, generally for debt service and construction and acquisition of capital assets.

6. **PENSION PLAN**

During the year ended December 31, 2006, the District did not have a retirement plan in force.

7. **SUBSEQUENT EVENT**

The District received a grant from the Permanent Community Impact Fund for the construction of Phase I of the waterline. \$105,352 of the money had not been used when the contract time was over. Those funds are still available for the District to utilize on the construction of the waterline, along with the funds received and considered as Phase II. The \$105,352 is available on a reimbursement basis after the expense has been incurred. A "Request for Funds" form is completed and sent in for reimbursement.

**THOMPSON SPECIAL SERVICE DISTRICT  
(A COMPONENT UNIT OF GRAND COUNTY)  
SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2006**

**Schedule of Impact Fees**

The District collects water impact fees. During the year ended December 31, 2006 water impact fees were collected in the amount of \$1,920. They are currently being held as reserved funds and will be utilized in the construction of the waterline. These impact fees were outstanding at year-end and will be used in the following year (2007) waterline construction.